National Audit Office

Report
by the Comptroller
and Auditor General

Cabinet Office and HM Treasury

Major Projects Authority Annual Report 2012-13 and government project assurance

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Major Projects Authority Annual Report 2012-13 and government project assurance

Report by the Comptroller and Auditor General

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Comptroller and Auditor General
National Audit Office

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The Major Projects Authority was established in March 2011 as a joint partnership between the Cabinet Office and HM Treasury with a prime ministerial mandate to improve project delivery across government through robust assurance measures.

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Key facts

£354bn

whole-life cost of the Government Major Projects Portfolio

191

projects in the Government Major Projects Portfolio in September 2012

42%

of major projects rated as highly likely or probable to deliver on time and on budget (rated green or amber-green by the Authority)

16 per cent	of major projects with significant doubts concerning their deliverability (rated red or amber-red by the Authority)
£372 million	median whole-life cost of government major projects
£833 million	forecast underspend against annual budget on major projects, 2012-13
51 per cent	of projects scheduled to complete between 2012-13 and 2014-15
29 projects	not scheduled to complete until after 2019-20
25 per cent	of projects where no value has been provided for important data or important data is unavailable

Summary

1 The Major Projects Authority (the Authority) was established in March 2011 as a joint partnership between the Cabinet Office and HM Treasury with a prime ministerial mandate to improve project delivery across government through robust assurance measures. Since then, the Authority has developed a range of interventions to give assurance over government major projects at all main stages and to support HM Treasury approval and funding decisions. It has also established the Major Projects Leadership Academy to train senior project leaders in the civil service. The Academy is responsible for the project delivery profession across Whitehall.

2 In 2012, the Committee of Public Accounts (the Committee) examined the Authority's work and made several recommendations to improve assurance for government major projects.[1] These included: improving departmental compliance with the Authority's assurance arrangements; reviewing if increased investment in the Authority would lead to increased benefits from its work; using the Authority's data to centrally manage the Government Major Projects Portfolio (the Portfolio) as a unified portfolio; and regularly publishing project information.

3 The Authority published its first annual report in May 2013.[2] Although this was significantly later than planned, it was an important step in improving the transparency with which progress on the Portfolio is reported. Comprehensive information on the Portfolio had not been published together before. The report provides an overview of the Authority's remit and priorities, and of the overall progress on delivering the 191 major projects by the end of September 2012. It was accompanied by departmental narratives on the deliverability, cost and timing of the projects.

Purpose of this memorandum

4 This memorandum will:

- update the Committee on the status of the Portfolio's projects;
- help them assess how far the published information improves transparency; and
- provide an update on the Authority's progress in responding to the Committee's wider recommendations.

1 HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 384, October 2012.
2 *Major Projects Authority Annual Report 2012-13*, available at: engage.cabinetoffice.gov.uk/major-projects-authority/

5 In Part One, we set out the Authority's history and role. In Part Two, we analyse information in the annual report and departmental submissions regarding the deliverability, cost and timing of the projects in the Portfolio. Part Three examines how far non-disclosure of data has affected the usefulness of published data. In Part Four, we set out the actions taken by government to date in response to the Committee's 2012 report recommendations.

Key observations

Deliverability, cost and timing

6 The Authority's annual report and the published departmental data give information on the deliverability, cost and timing of projects in the Portfolio:

Deliverability

- The Authority concluded that 43 per cent of projects were 'highly likely' or 'probable' to be completed successfully, but had significant doubts about the deliverability of 16 per cent of projects. The deliverability ratings of major projects varied significantly between departments (**Figure 1**).
- The Authority gave eight projects red ratings, indicating the highest risk to successful delivery. Problems occurred because departments initially underestimated the project's complexity. Delivery schedules therefore had to be revised. In some cases, the whole project was rescoped because it was deemed unachievable or impractical in its original form.

Cost

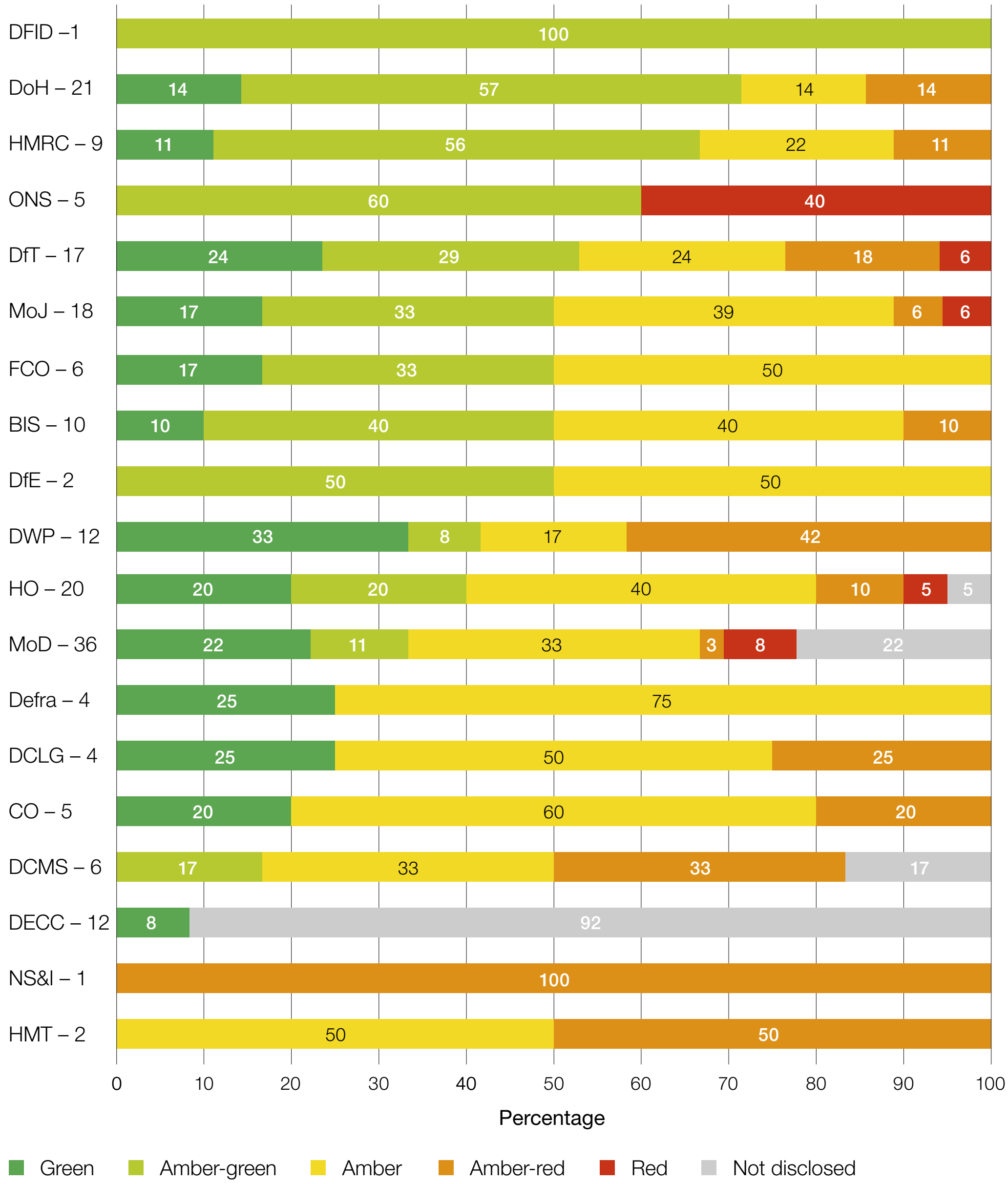
- The total whole-life cost of the 191 Portfolio projects was reported as £353.7 billion. The cost of individual projects ranged widely from the £33,149 million Renewable Heat Incentive project (Department of Energy & Climate Change), to the £580,000 G-Cloud programme (Cabinet Office).[3] The median cost of projects is £372 million. The costliest projects are concentrated in a small number of departments: 55 projects in four departments (Ministry of Defence, Department of Energy & Climate Change, Department for Transport, and Department for Work & Pensions) accounted for 79 per cent of the Portfolio's total cost.

3 The whole-life cost figure for the Renewable Heat Incentive Project includes an estimate of lifetime subsidy costs to 2040 and is subject to revision.

Figure 1

Delivery confidence rating of government major projects by department, at September 2012

Deliverability of major projects varies considerably between departments



Notes

1 DFID = Department for International Development; DoH = Department of Health; HMRC = HM Revenue & Customs; ONS = Office for National Statistics; DfT = Department for Transport; MoJ = Ministry of Justice; FCO = Foreign & Commonwealth Office; BIS = Department for Business, Innovation & Skills; DfE = Department for Education; DWP = Department for Work & Pensions; HO = Home Office; MoD = Ministry of Defence; Defra = Department for Environment, Food & Rural Affairs; DCLG = Department for Communities and Local Government; CO = Cabinet Office; DCMS = Department for Culture, Media & Sport; DECC = Department of Energy & Climate Change; NS&I = National Savings and Investments; HMT = HM Treasury.

2 The total number of projects each department has in the Portfolio is shown after the department's name.

Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

Timing

- The Portfolio includes a range of projects, from major infrastructure projects to departmental reorganisations, which vary widely in duration. The majority are relatively short (51 per cent of projects are expected to last less than five years), but a significant minority are much longer (more than 11 per cent will last over 15 years).
- The majority of projects are also due to complete soon. Over half of current major projects (97 out of 191 projects) are scheduled to complete between 2012-13 and 2014-15. We are particularly concerned that, of these projects nearing completion, the Authority has rated successful delivery as probable for less than half. Departments will have to make rapid improvements to complete these projects on time and on budget.

Transparency

7 In 2012, the Committee highlighted that openness and transparent reporting were vital to ensuring accountability for public money.[4] The annual report is an important component of the government's transparency agenda. The information published in the Authority's annual report was subject to the government's transparency policy, which includes a planned six-month time lag on publishing project data. This allows departments time to act in response to the Authority's deliverability ratings.[5] Data published in May 2013 therefore related to the period June to September 2012.

8 The transparency policy also allows for not disclosing information because of commercial sensitivity and national security. This meant that the project data published were incomplete. Some 25 per cent of major projects had at least one item of data on costs, completion dates, or deliverability withheld. The majority of departments withheld data on at least one project. The reasons for non-disclosure were not published, leaving departments time vulnerable to the perception that they withheld data that was inconvenient to them. Incomplete data reduces its usefulness as a tool to hold the government to account.

9 The published data also lacked detail in other important areas. Departments had to publish explanations of their actions to address issues that the Authority highlighted on individual projects. However, the quality of these explanations was varied. Our analysis of disclosures for red and amber-red rated projects showed more than half did not contain sufficiently detailed information for users to clearly see what actions had been taken.

4 See footnote 1.
5 Cabinet Office, *Transparency policy on the Government Major Projects Portfolio and guidance for departments on exemptions*, May 2013, available at: www.gov.uk/government/publications/major-projects-transparency-policy-and-exemptions-guidance

10 The annual report and the accompanying departmental submissions mark a major step forward for transparency. However, including additional data in future publications would help to enhance transparency and accountability further:

- Including total project costs incurred would allow comparison with a project's total budgeted cost and help highlight projects where there is a risk of under or overspending.
- Providing information on a project's progress against goals, and benefits achieved would help to identify whether a project was meeting its key milestones and goals.
- Disclosing the reasons for the deliverability ratings given would clearly show whether the actions that departments take in response were appropriate.
- Analysing project data at a Portfolio level would highlight common issues and give a useful long-term perspective of progress across the Portfolio.

Progress against Committee recommendations

11 The Committee and Lord Browne, the government's lead non-executive director, published reports in 2012 and 2013, respectively, looking at assurance arrangements for government major projects.[6] They both concluded that establishing the Authority was a positive step and that it had made definite progress in strengthening project assurance. However, both reports also recommended that the Authority needed greater resources and influence to improve project delivery in a lasting and significant way.

12 In February 2013, the government responded to the Committee's 2012 report, accepting all the recommendations.[7] Despite accepting all the recommendations, the government's response did not fully address all of the concerns raised. Most notably, HM Treasury does not want the Authority's recommendations on stopping and pausing projects to be considered binding because this would limit the ability of elected ministers to make decisions. Instead, the Authority and HM Treasury have established a process to ensure that all Major Projects Review Group recommendations, including to cancel, defer or rescope projects, are provided directly to the Chief Secretary to the Treasury as formal advice to inform spending decisions.

6 HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 384, October 2012 and Lord Browne of Madingley, *Getting a grip: how to improve major project control and execution in government*, March 2013.

7 HM Treasury, *Treasury Minutes, Government responses on the Fourteenth, the Seventeenth to the Nineteenth, and the Twenty First Reports from the Committee of Public Accounts Session*: *2012-13*, Cm 8556, February 2013.

13 The Authority has been working to implement the Committee's recommendations. It is doing the following:

- Increasing the number of major projects with an Integrated Assurance and Approvals Plan. These set out the project milestones, the timing of internal and external assurance reviews, and allow for better alignment with Cabinet Office and Treasury approval processes. By the end of May 2013, only 17 projects (9 per cent) had no plan.
- Understanding the pipeline of major projects, to help ensure the Authority's assurance work is timed to influence project approval; and introduce a new Project Validation Review to give stronger assurance about deliverability before a project starts.
- Tracking how fully departments implement the Authority's recommendations and the benefits this achieves.
- Increasing staffing by around a half to 59 to help the Authority to achieve the improvements in project assurance it is aiming for. The aspiration is that by 2015 there will be a step change in successful project delivery from 2010 when the projected successful completion rate was 28 per cent and the average cost overrun was 60 per cent.
- Strengthening the project delivery skills of civil servants by developing options for deploying graduates of the Major Projects Leadership Academy; developing guidance on the remit, tenure, reward and appointing project leaders; and creating a model for departments to assess project maturity.
- Publishing the Authority's first annual report on the Portfolio's status.

Concluding comments

14 The Authority is increasing its capability and taking steps to ensure that its work is more effective and influential. This includes a broad range of activities, from developing new and more robust assurance products to issuing guidance on how best to reward and retain project delivery specialists. Many of the elements necessary to make significant changes in government project delivery are therefore starting to be put into place. However, significant challenges remain if these changes are to have their full effect. One of these is for the Authority to present more useful and comprehensive data in their annual report. Other challenges will require broader action. Effective cooperation between HM Treasury, the Cabinet Office and other government departments will be essential to making real improvements.

Part One

The Authority's history and role

1.1 In March 2011, the government established the Major Projects Authority (the Authority) to address the failures in programme management that had been highlighted by the 2010 Major Projects Review, along with the good practice principles we set out in June 2010 on assurance arrangements for high risk projects.[8]

1.2 The Authority was established by a prime ministerial mandate (**Figure 2**). It is a partnership between the Cabinet Office and HM Treasury, and is part of the Efficiency and Reform Group within the Cabinet Office. The Authority reports to both the Chief Secretary to the Treasury and the Minister for the Cabinet Office. The aims of the Authority are to:

- provide assurance for all large central government projects;
- strengthen project delivery capability within the civil service; and
- improve the operating environment for major projects.

Figure 2
The Prime Minister's mandate

1 To develop the Government Major Projects Portfolio, in collaboration with departments, with regular reporting to ministers.

2 To require Integrated Assurance and Approval Plans for each major project or programme, including timetables for Treasury financial approvals, and validated by the Major Projects Authority and HM Treasury.

3 To make a Starting Gate Review, or equivalent, mandatory for all new projects or programmes.

4 To escalate issues of concern to ministers and accounting officers.

5 To give additional assurance and be directly involved where projects are causing concern, including providing commercial and operational support.

6 To require publication of project information consistent with the Coalition's transparency agenda.

7 To work with departments to build capability in projects and programme management.

8 To publish an annual report on government major projects.

Source: Prime Minister's mandate, January 2011

8 National Audit Office, *Assurance for high risk projects*, June 2010.

The Authority's assurance work

1.3 The Authority carries out its assurance work within the framework of an Integrated Assurance and Approvals Plan (IAAP). Every project in the Government Major Project Portfolio (the Portfolio) must have an IAAP, clearly setting out the milestones, and a schedule for internal and external reviews and approvals throughout the life cycle of a major project.

1.4 The Authority has developed several interventions to give assurance at various stages of a project's life cycle:

Project validation reviews (previously starting gate reviews)

- These are early-stage assessments that departments carry out on all proposed new initiatives. They undertake them before developing a business case, and can recommend whether a project should proceed to the outline business case, be paused, or stopped.

Gateway reviews

- These are a series of five reviews at key stages of a project's life cycle that assess its performance and viability. Gateway reviews typically make several recommendations to the project's senior responsible owners, to improve the likelihood of the project being successful and timely. They also give assurance to HM Treasury, supporting their approval and spending decisions.

Project assessment reviews

- These are 'deep dives' into priority projects, which require bespoke terms of reference. Project assessment reviews allow specific issues, which would not always be addressed by standard gateway reviews, to be identified and addressed. They are also used whenever the Authority investigates further into a project that is in difficulty.

Assurance of action plans

- Where a project assessment or gateway review has resulted in a project being given a red or amber-red rating (based on the Authority's delivery confidence assessment), an assurance of action plan review can be carried out after three or more months have elapsed to ensure the department is acting on the Authority's recommendations. These reviews can result in improved delivery confidence rating being given to projects if departments have made significant progress.

The Authority's first annual report

1.5 The prime ministerial mandate requires the Authority to publish an annual report on government major projects, and project information. We and the Committee of Public Accounts have previously highlighted the importance of transparency in reporting on the status of government major projects. Reporting helps lessons from projects to be learned and disseminated more widely; it can support better project outcomes and strengthen accountability; and helps embed the system of project assurance.[9]

1.6 The Authority's first annual report is an important step forward, as comprehensive information about government major projects had never been published before.[10] Publishing Portfolio data is an important part of the government's transparency agenda, and is seen as an important way to improve project delivery and help secure cost reductions. However, this information, initially expected in December 2011, was significantly delayed until May 2013.[11]

1.7 The Authority's first annual report provides, among other things, an overview of the Portfolio; progress on project delivery and strengthening project delivery capability. Alongside the annual report, all government departments had to publish data on their projects within the Portfolio, amounting to 191 projects in all. For each project, departments were asked to provide:

- the delivery confidence rating that the Authority provided;
- a description of the project and its aims;
- the scheduled start and completion dates, together with narrative disclosures where there has been significant slippage;
- budgeted and forecast project costs for 2012-13, with explanations for any variances; and
- the total budgeted whole-life cost.

1.8 Departments could withhold information if they felt that it should properly remain confidential. For example, where information is commercially sensitive or necessary to safeguard national security, consistent with the Freedom of Information Act 2000.[12] All published project data was correct at 30 September 2012. Ministers agreed that there should be six months between issuing a delivery confidence rating and its public disclosure. We discuss the basis for these exceptions and their implications for transparency in Part Three.

9 See National Audit Office, *Assurance for high risk projects*, June 2010; Comptroller and Auditor General, *Assurance for major projects*, Session 2010–2012, HC 1698, National Audit Office, May 2012; and HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 384, October 2012.

10 Major Projects Authority, *The Major Projects Authority Annual Report 2012-13*, May 2013, available at: engage.cabinetoffice.gov.uk/major-projects-authority/

11 Cabinet Office, Business Plan, November 2010, available at: webarchive.nationalarchives.gov.uk/20130109092234/http://number10.gov.uk/wp-content/uploads/2011/01/CO-Business-Plan.pdf

12 HM Government, *Transparency policy on the Government Major Projects Portfolio and guidance for departments on exceptions*, 2013, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/203091/Transparency_policy_and_exemptions_guidance_text_for_publication_230513.pdf

Part Two

Project deliverability, cost and timing at September 2012

2.1 The Major Projects Authority (the Authority's) annual report, and departments' published project data, provide information on the Government Major Projects Portfolio (the Portfolio's) deliverability, cost and scheduling as of September 2012. In this part we analyse these published data to assess the Portfolio's state.

Deliverability

2.2 Improving the deliverability of major projects is the key challenge for the government. The Authority assesses a project's deliverability during gateway and project assessment reviews. It provides a delivery confidence rating to each project, using a 'traffic light' approach. Departments published the ratings from September 2012 in their submissions that accompany the annual report. The Authority ultimately decides these ratings, although departments can outline what rating they feel is most appropriate. **Figure 3** shows the ratings and their definitions.

Figure 3

The Authority's delivery confidence ratings

Rating	Description
Green	Successful delivery of the project to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
Amber-green	Successful delivery appears probable; however, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
Amber	Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.
Amber-red	Successful delivery of the project is in doubt, with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible.
Red	Successful delivery of the project appears to be unachievable. There are major issues on project definition, schedule, budget, quality and/or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project may need re-scoping and/or its overall viability reassessed.

Source: *Major Projects Authority Annual Report 2012-13*

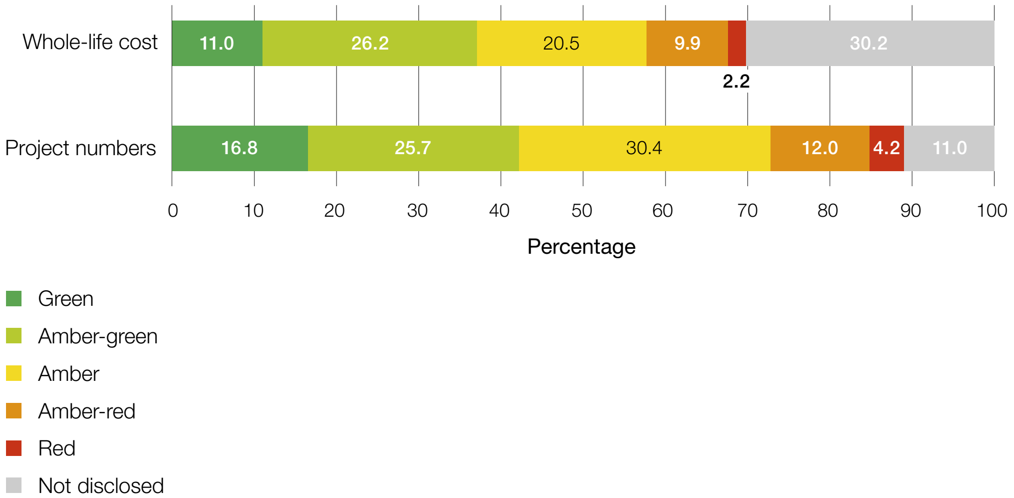
2.3 The Authority's delivery confidence assessments consider progress against the main indicators of time, budget, and benefits realisation. They also take into account other factors known to affect deliverability. These include: how governance structures are designed and work; managing the delivery chain or supplier relationships; capability and capacity of human resources, whether because of insufficient resources or high staff turnover; and the impact of external dependencies such as other significant projects, regulatory timetables, and the need for market finance.

2.4 In 2012, the Committee of Public Accounts noted that only a third of government major projects were delivered on time and on budget.[13] The annual report states that two-thirds of current projects are expected to be delivered on time and on budget. The published departmental data, however, show that significant challenges remain if this is to be achieved. The Authority considered that in only 42 per cent of projects was successful delivery highly likely or probable. The Authority gave a significant minority of projects, around 16 per cent, red and amber-red ratings, as it had significant doubts about their deliverability. In terms of the lifetime costs of the Portfolio, it is notable that a number of the most expensive projects did not disclose their current delivery confidence ratings because of departmental concerns about commercial sensitivity (**Figure 4**).

Figure 4

Delivery confidence ratings of government major projects, September 2012

Less than half of the Portfolio is considered likely to be delivered successfully, in terms of both project numbers and whole-life costs



Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

13 HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 384, October 2012.

2.5 The deliverability of major projects differed significantly between departments (Figure 1). There are a number of reasons for this, from the varying complexity of projects in the Portfolio to the project delivery capability of departments. The Department for Work & Pensions had the highest proportion (33 per cent) of green-rated projects, and the Office for National Statistics the highest proportion (40 per cent) of red-rated projects. Many departments had projects that had assessments across the range of delivery confidence.

2.6 Projects in their earliest stages are more likely to be assessed as amber-red or red, probably a result of the greater uncertainty they face. A red rating may mean that a project cannot be completed without urgent remedial action. However, it can also reflect the level of risk inherent at the beginning of a complex and challenging project. It is, therefore, not necessarily an indication a project will fail. The Authority expects projects to move towards amber and amber-green as risks are removed and designs are finalised. Our analysis shows that 50 per cent of projects more than half complete had green or amber-green ratings, compared to only 32 per cent of projects less than half complete.

2.7 Eight projects were rated as red:

- Rail Refranchising Management Programme – West Coast (Department for Transport)
- Transforming the Customer Experience (Home Office)
- Defence Core Network Services (Ministry of Defence)
- Queen Elizabeth Class aircraft carriers (Ministry of Defence)
- Watchkeeper (Ministry of Defence)
- Ministry of Justice Shared Services
- European System of Accounts 2010/Balance of Payments Manual Version 6 (Office for National Statistics)
- Web Data Access Project (Office for National Statistics)

Further details of these projects, the reasons why the Authority rated them as red, and the actions that the respective departments have taken since the rating was given, are provided in Appendix One.

2.8 The eight red-rated projects are diverse in cost, scheduled duration and maturity. However, they also have common factors. In most, delays occurred because departments initially underestimated the complexity of the project. Delivery schedules have, therefore, had to be revised. In some of the more extreme cases, the whole project has been rescoped because it was deemed unachievable or impractical in its original form. At the reporting date, several of these projects were awaiting HM Treasury or Cabinet Office approval to proceed.

2.9 Since September 2012, the majority of red-rated projects have progressed. Although the InterCity West Coast main line franchise competition has been cancelled, the others have all made headway in clarifying how the project will be completed. The extent of progress varies considerably, with one project (Transforming the Customer Experience) nearly fully implemented and others receiving full or partial HM Treasury approval for their revised completion plans.

Lifetime costs

2.10 Major projects are a significant item of expenditure for the Exchequer. Effective oversight and control of project costs is, therefore, an essential part of the Authority's project assurance system. It is particularly important with the government looking to achieve spending reductions and efficiency savings. Our value-for-money reports have frequently highlighted instances where government projects have run over budget and incurred additional costs, resulting in significant financial losses for the taxpayer.[14]

2.11 At the end of September 2012, the Portfolio comprised 191 projects across 19 government departments. The annual report states the budgeted total whole-life costs of these projects as £354 billion, although the total cost disclosed in departmental submissions was only £305.6 billion. The discrepancy is because departments withheld the lifetime costs of 36 projects, under the exemptions that the government transparency policy allows.[15]

2.12 The Renewable Heat Incentive project had the highest published whole-life cost in the Portfolio of £33,149 million, and the G-Cloud programme the lowest at £0.58 million. The majority of the 155 projects for which whole-life costs were provided were relatively low in cost (see **Figure 5** overleaf), as reflected in the Portfolio having a median project lifetime cost of £372 million. Seventy-one projects (46 per cent) had a whole-life cost of less than £1 billion.[16]

2.13 The total lifetime cost of the Portfolio is concentrated in a small number of departments. Fifty-five projects in four departments (Ministry of Defence, Department of Energy & Climate Change, Department for Transport, and Department for Work & Pensions) accounted for 79 per cent (£242,773 million) of total published whole-life costs. It is not just that these departments have more projects, but that the projects they have are larger and costlier (see **Figure 6** on page 19). In contrast, the 100 projects in the other 15 departments only accounted for 21 per cent (£62,887 million) of total whole-life costs.

14 For example, Comptroller and Auditor-General, *Carrier strike: the 2012 reversion decision*, Session 2013-14, HC 63, National Audit Office, May 2013; *Shared services in the research councils*, Session 2010–2012, HC 1459, National Audit Office, October 2011; and *The failure of the FiReControl project*, Session 2010–2012, HC 1272, National Audit Office, July 2011.

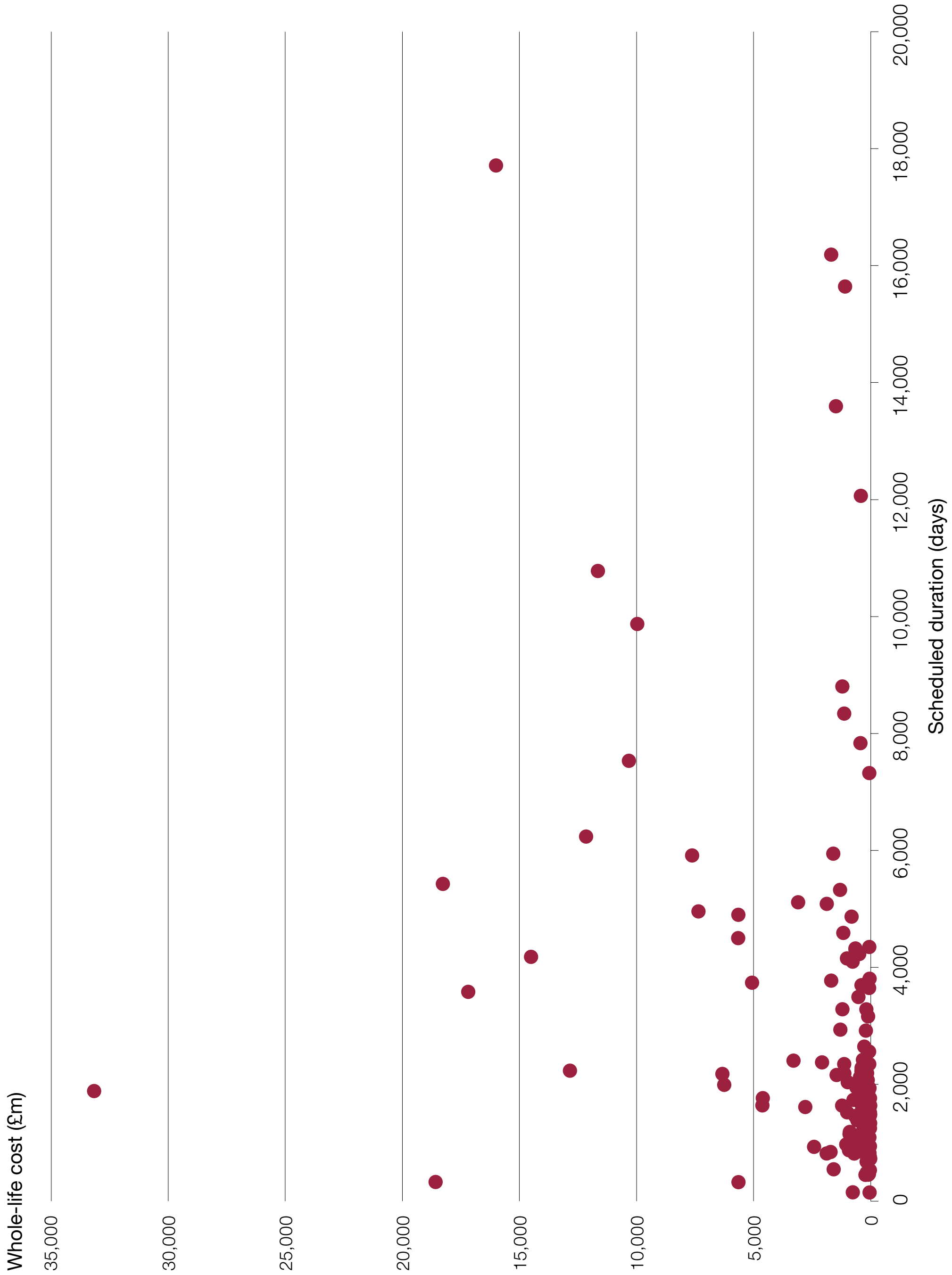
15 All the analyses within this report are based upon the data contained in the departmental submissions, unless otherwise stated.

16 The figure of 46 per cent is based on the total number of projects for which whole-life costs were disclosed.

Figure 5

The distribution of project whole-life costs

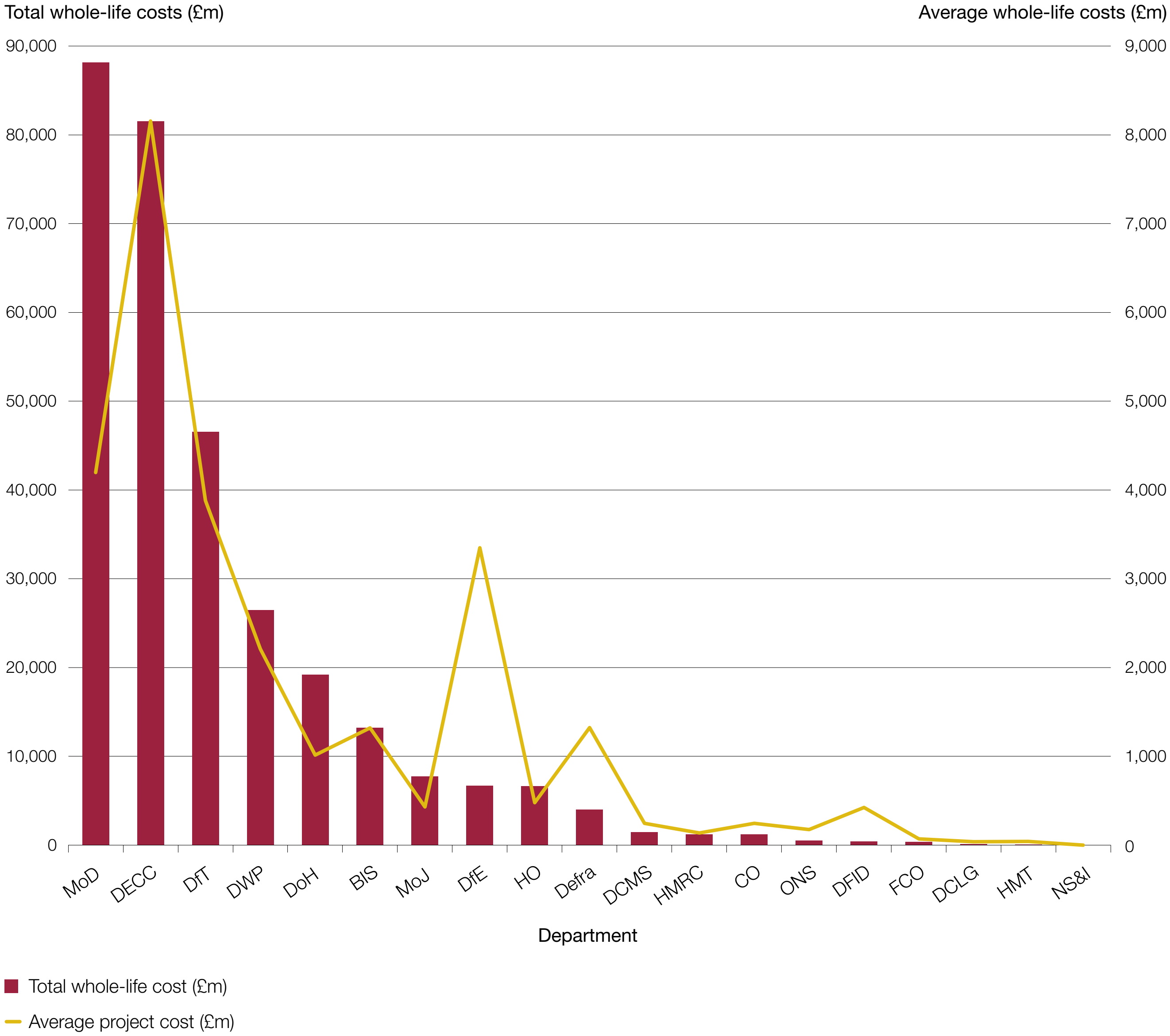
The majority of projects have relatively low whole-life costs, the median cost being £372 million



Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

Figure 6
Total and average project lifetime cost by department

The most costly projects are concentrated in four departments



Notes

1 The figure includes the 155 projects for which whole-life costs were available. The whole-life costs for 29 projects were withheld from publication, and for a further 7 projects whole-life costs were given as zero. These 36 projects are excluded from the figure.

2 MoD = Ministry of Defence; DECC = Department of Energy & Climate Change; DfT = Department for Transport; DWP = Department for Work & Pensions; DoH = Department of Health; BIS = Department for Business, Innovation & Skills; MoJ = Ministry of Justice; DfE = Department for Education; HO = Home Office; Defra = Department for Environment, Food & Rural Affairs; DCMS = Department for Culture, Media & Sport; HMRC = HM Revenue & Customs; CO = Cabinet Office; ONS = Office for National Statistics; DFID = Department for International Development; FCO = Foreign & Commonwealth Office; DCLG = Department for Communities and Local Government; HMT = HM Treasury; NS&I = National Savings and Investments.

Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

In-year costs

2.14 The published data also included the budgeted and forecast costs for 2012-13. The total budgeted cost in 2012-13 for the 174 projects for which this data was provided was £17,989 million.[17] By the end of September 2012, departments were forecasting expenditure for the year on these projects of £17,156 million, a net underspend of £833 million.

2.15 There is considerable variation across the Portfolio between budgeted and forecast expenditure. In 2012-13, 39 projects (20.4 per cent) were forecast to overspend against budget, and 55 projects (28.8 per cent) were expected to underspend. **Figure 7** shows the forecast net over and underspend by department. The Department for Business, Innovation & Skills had the largest net underspend of £470 million across ten projects. The Department of Health had the largest net overspend of £62 million, across 21 projects.

Timing

2.16 Managing major projects to ensure they complete on time is an important challenge. Delays can result in additional costs to the Exchequer and lead to delays in providing vital public services. There are many examples of government major projects experiencing serious delays, on occasion amounting to years.[18] Ensuring the timeliness of projects is another of the Authority's major goals. A clear understanding of the timing and duration of projects is vital to ensure that there is assurance work at the appropriate points in a project's life cycle.

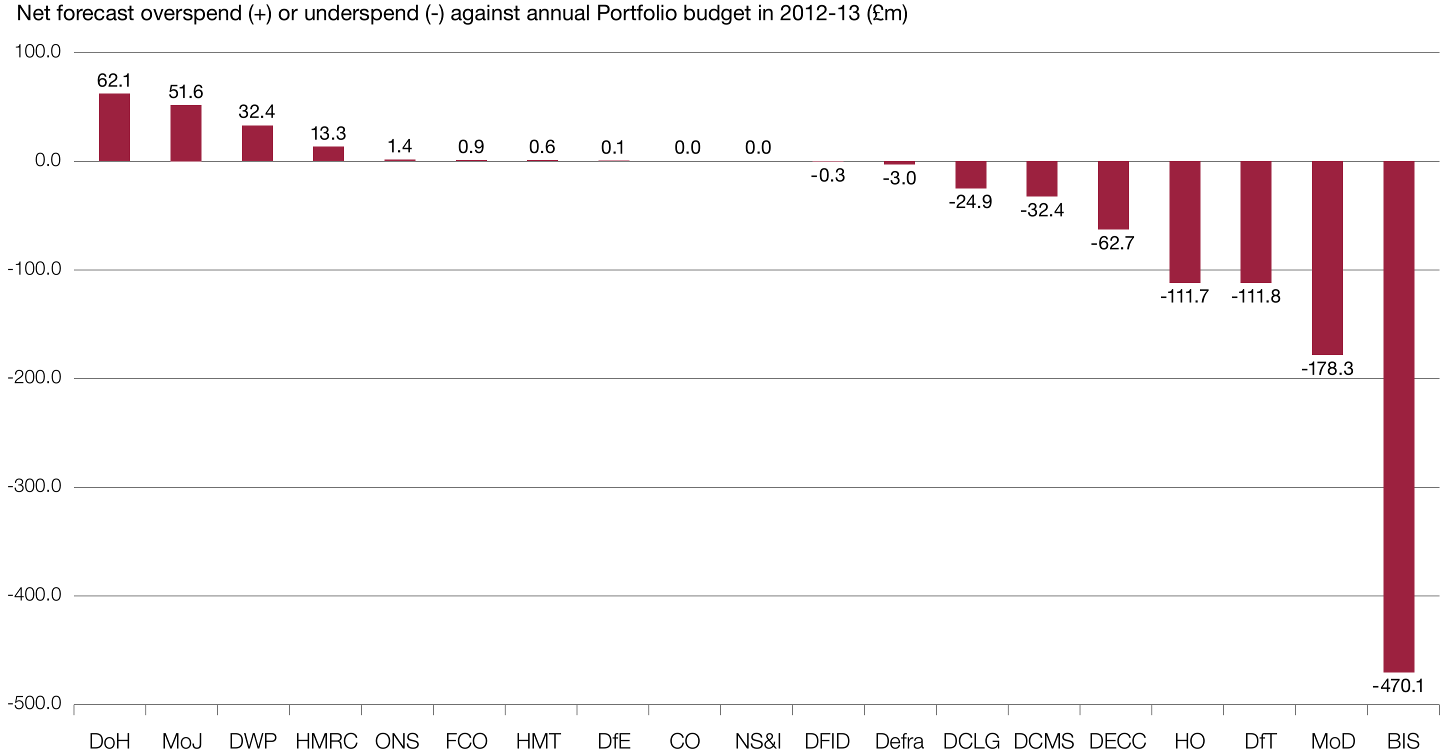
17 Departments did not publish 2012-13 budget figures for 17 projects.

18 For example, Comptroller and Auditor General reports, *The failure of the FiReControl project*, Session 2010–2012, HC 1272, National Audit Office, July 2011; *The National Programme for IT in the NHS: an update on the delivery of detailed care records systems*, Session 2010–2012, HC 888, National Audit Office, May 2011; and *Management of the Typhoon project*, Session 2010-11, LHC 755, National Audit Office, March 2011.

Figure 7

Forecast net over and underspend against budget by department for 2012-13

There was considerable variation between departments on how they expected their major projects to perform against annual budgets during 2012-13



	DoH	MoJ	DWP	HMRC	ONS	FCO	HMT	DfE	CO	NS&I	DFID	Defra	DCLG	DCMS	DECC	HO	DfT	MoD	BIS
Forecast overspend (+) or underspend as a percentage of department's annual Portfolio project budget	3.7	8.7	1.6	5.8	4.3	1.9	2.4	0.0	0.0	0.0	-0.5	-3.6	-73.8	-13.8	-5.5	-10.6	-6.2	-2.8	-28.9

Notes

1 In total, eight departments forecast a net overspend against budget, nine departments forecast an underspend, and two predicted that expenditure would be on budget.

2 The figure includes the 174 projects for which departments published forecast and budgeted costs for 2012-13. The forecast and/or budgeted costs for 17 projects were withheld.

3 The BIS figures include partner organisations, such as the Green Investment Bank (GIB). The GIB has an agreed set of financial flexibilities with HM Treasury and the stated underspend does not reflect the fact that this capital remains available for GIB to invest in future years.

4 See Figure 6, note 2 for full department names.

Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

2.17 The duration of Portfolio projects varies considerably (**Figure 8**). Of the 191 major projects, over half (98 projects, or 51.3 per cent of the total) are comparatively short and expected to last under five years. However, there is a significant minority of much lengthier projects. Forty-nine projects (25.7 per cent), are expected to run for more than ten years, and five (2.6 per cent) are expected to take more than 40 years:[19]

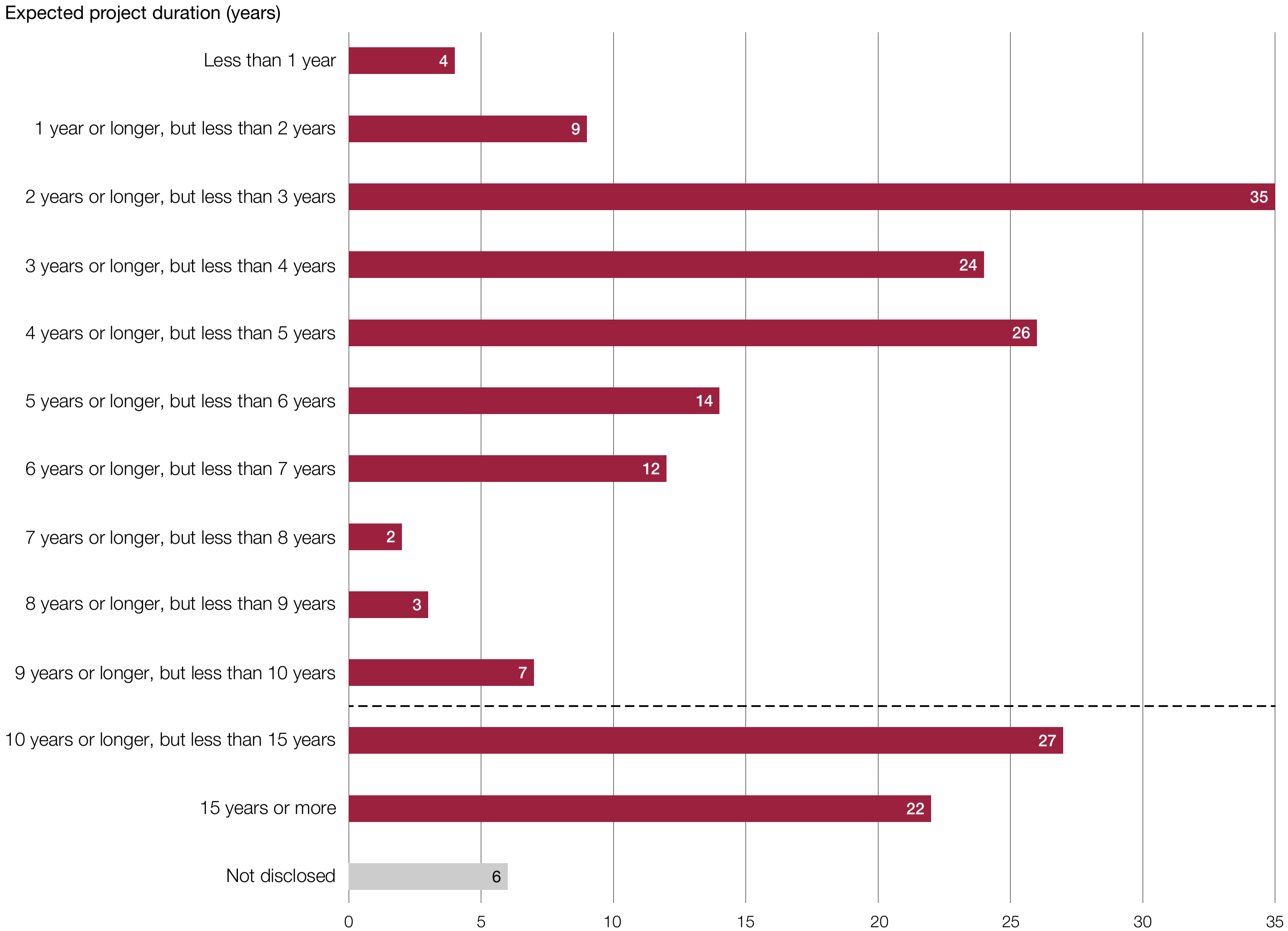
- Plutonium Management project (Department of Energy & Climate Change), started in 2011 and scheduled to complete in 2110.
- Watchkeeper (Ministry of Defence), started in 1998 and scheduled to remain in service until 2040.
- A400M Transport Aircraft project (Ministry of Defence), started in 2000 and scheduled to remain in service until 2046.
- Joint Combat Aircraft project (Ministry of Defence), started in 2001 and scheduled to remain in service until 2050.
- Wildcat Helicopter project (Ministry of Defence), started in 2001 and scheduled to remain in service until 2046.

2.18 The majority of projects within the Portfolio started only recently: 128 projects (67 per cent) began between 2009-10 and 2011-12. More importantly, the majority of projects are also expected to complete soon. Over half of current major projects (97 out of 191 projects, or 51 per cent) are scheduled for completion between 2012-13 and 2014-15 (see **Figure 9** on page 24). A particular concern is that, of the projects nearing completion, the Authority has rated successful delivery as probable for less than half (see **Figure 10** on page 24). Departments will need to make rapid improvements to complete these projects on time and on budget.

19 The published duration of these five projects covers their entire life cycle from procurement through to final disposal, rather than just to commencement of business as usual operations as with most other projects.

Figure 8
Scheduled duration of major projects

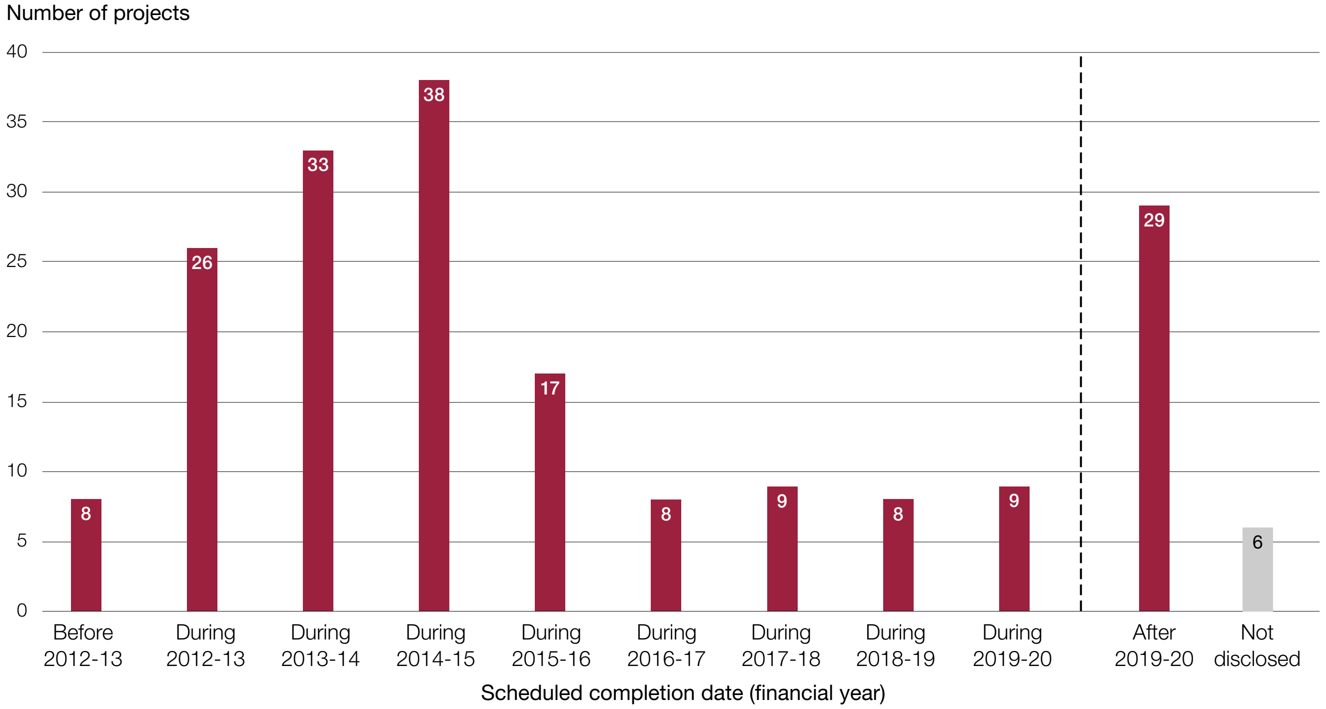
Many major projects will last less than five years



Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

Figure 9
Scheduled completion dates of government major projects

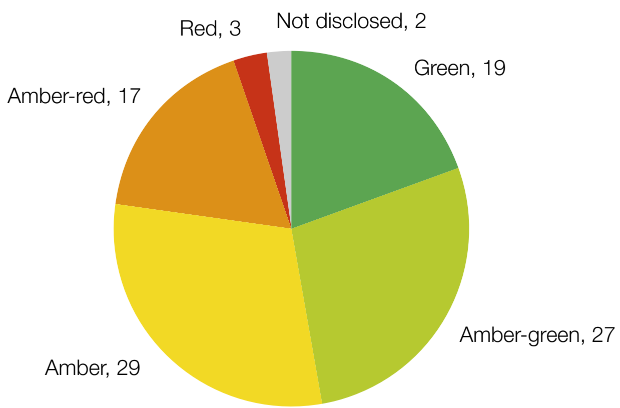
Over half of major projects are expected to be completed by the end of 2014-15



Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

Figure 10
Delivery confidence rating of projects scheduled to finish between 2012-13 and 2014-15

The Authority has rated less than half of the 97 projects scheduled to finish by the end of the financial year 2014-15 as likely to complete successfully



Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

Part Three

Data transparency

3.1 In 2012, the Committee of Public Accounts highlighted that openness and transparent reporting were vital for accountability of public money.[20] The annual report is an important part of the government's transparency agenda, which seeks to make public as much information as possible, to hold the government to account.

Transparency policy

3.2 The information published in the annual report is subject to the government's transparency policy.[21] While the government assumes that departments will publish data, the policy allows for some non-disclosure. Departments were allowed to exempt certain information from publication, which they considered should properly remain confidential.

3.3 The transparency policy also requires that there will be a six-month time lag between submitting information and its first publication, to give a period for departments to act in response to the Major Projects Authority (the Authority's) deliverability ratings. To have coherent disclosures, information in the first annual report and the accompanying departmental disclosures was from the second quarter of 2012, covering June to September.

Incomplete information

3.4 The Authority held discussions with departments who were planning to withhold data on their projects in line with the transparency policy. However, the final decision rested with individual departments. The reasons for non-disclosure are not provided with the published material. Forty-eight (25 per cent) of the 191 major projects had at least one item of data from whole-life costs, costs for 2012-13, scheduled completion dates, or deliverability ratings withheld. Of these projects, 25 (13 per cent) had more than one piece of data withheld.

20 HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 384, October 2012.

21 Cabinet Office, *Major projects: transparency policy and exemptions guidance*, May 2013. Available at: www.gov.uk/government/publications/major-projects-transparency-policy-and-exemptions-guidance

3.5 Eleven out of nineteen departments did not provide at least one piece of data on one or more projects (**Figure 11**). The Ministry of Defence accounted for 36 per cent of all non-disclosures across the Govenment Major Projects Portfolio (the Portfolio), withholding information on 17 of its 36 projects. The nature of the Ministry of Defence's work makes it likely that more of its projects will have national security considerations. The Department of Energy & Climate Change withheld the deliverability ratings for 11 of its 12 projects. In the majority of cases, this was because commercial negotiations were under way and the Department felt that the delivery confidence ratings were commercially sensitive as a result.

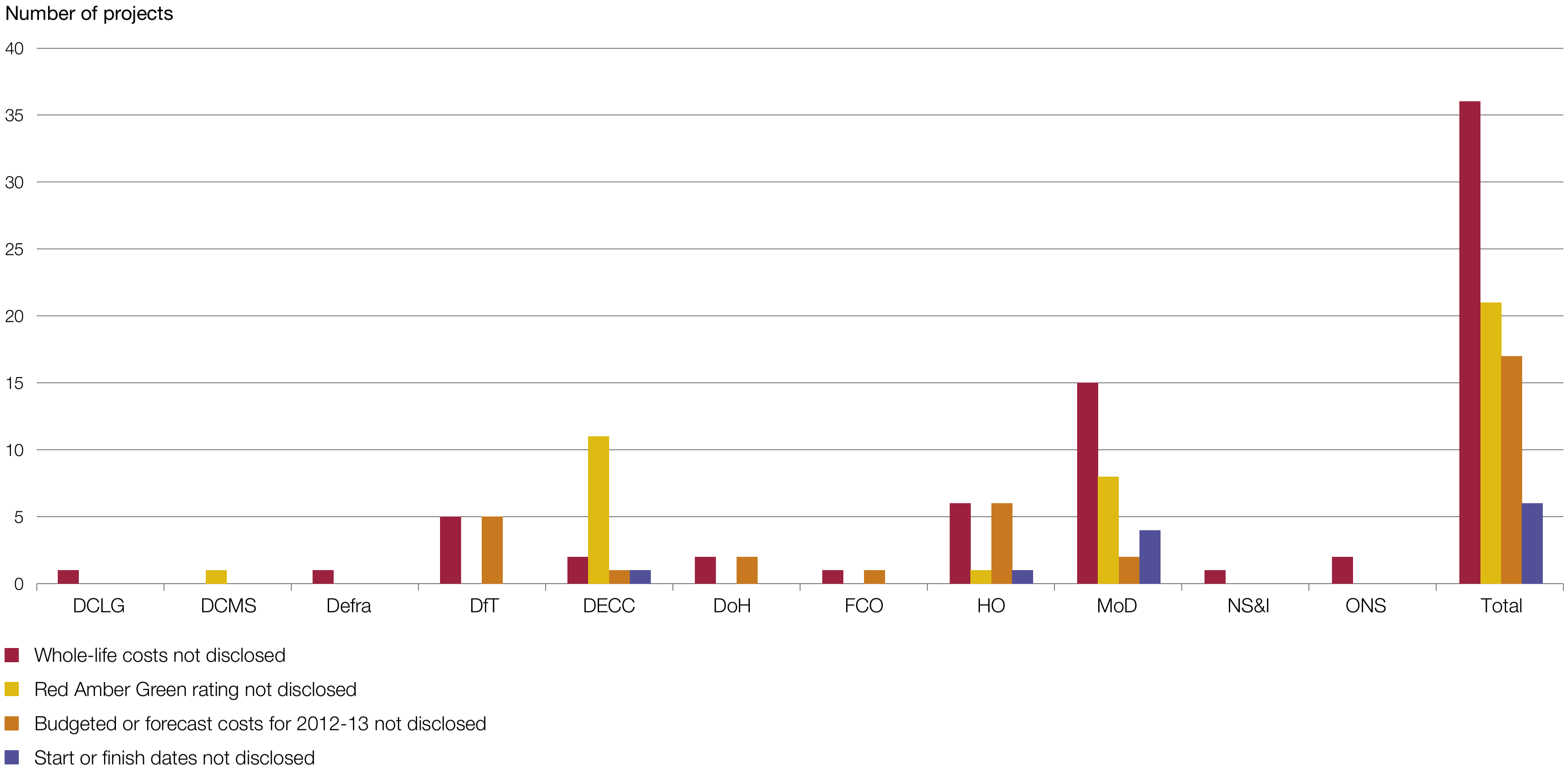
3.6 In addition to giving information on costs and project schedules, departments had to explain key features of each project. These included describing the project's aims, explanations for any variance between forecast and budgeted spend in 2012-13, and an outline of actions taken to address any time slippage. Departments also had to set out the actions they have taken since September 2012 to address any issues raised by the delivery confidence ratings. This applied to all projects, but is of particular importance for those with the highest risks to successful delivery.

3.7 Clear and comprehensive explanations are important if the annual report is to be an effective tool for holding departments to account. However, the clarity and completeness of the information published on actions taken to address delivery risks varies considerably (see **Figure 12** on page 28). Published information for three of the eight red-rated projects (InterCity West Coast main line franchise, Transforming the Customer Experience and Queen Elizabeth Class Aircraft Carriers) described the actions taken in some detail. The details provided for the remaining five were insufficient to give readers a clear idea of the departments' response. With regard to the 23 amber-red-rated projects, 16 had insufficient information on how the departments have responded to the risks their projects face.

Figure 11

Withheld and unavailable data in departmental submissions, 2012-13

At least one piece of data was not provided or was unavailable for a quarter of all major projects



Notes

1 Seven projects had published whole-life costs given as zero. These are included in the figure as unavailable data.

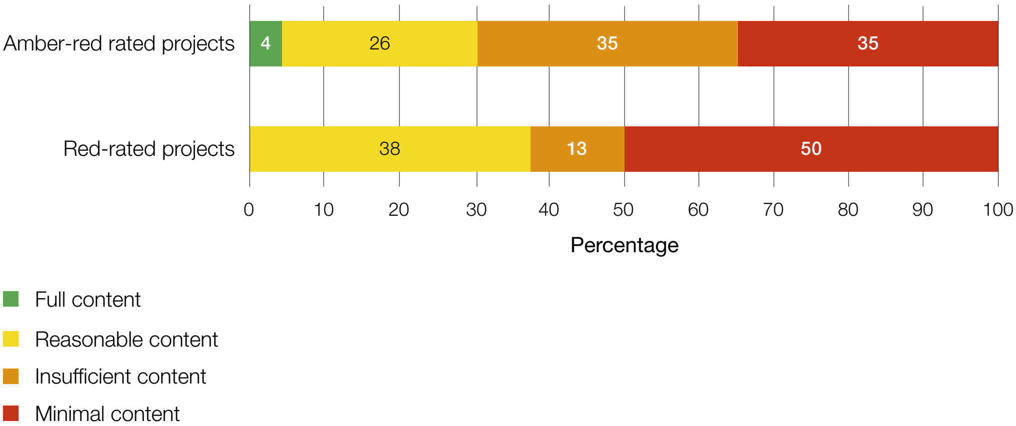
2 DCLG = Department for Communities and Local Government; DCMS = Department for Culture, Media & Sport; Defra = Department for Environment, Food & Rural Affairs; DfT = Department for Transport; DECC = Department of Energy & Climate Change; DoH = Department of Health; FCO = Foreign & Commonwealth Office; HO = Home Office; MoD = Ministry of Defence; NS&I = National Savings and Investments; ONS = Office for National Statistics.

Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

Figure 12

Quality of narrative disclosures for red and amber-red rated projects in departmental submissions, 2012-13

Not enough explanation is given about addressing the largest risks to project delivery



Notes

1 Full content: The delivery confidence rating is addressed and the information states the issues or recommendations provided by the assessment, and helps the reader to understand the project's position at the assessment date.

2 Reasonable content: Some issues are highlighted, primarily, through discussing actions taken since the assessment. It is unclear whether the actions mentioned address all recommendations from the delivery confidence assessment; however, the narrative gives the reader some indication of the reason/(s) for the assessed rating.

3 Insufficient content: Acknowledges that challenges exist in completing the project but project-specific issues are not stated. The focus of the narrative tends to be on actions and few inferences can be made on the outcome of the delivery confidence assessment.

4 Minimal content: The narrative does not provide any or minimal information on the delivery confidence assessment and the actions taken to address concerns.

Source: National Audit Office analysis of departmental data published alongside the *Major Projects Authority Annual Report 2012-13*

Unpublished information

3.8 The information in the annual report is an important step towards improving the transparency of how well the government is implementing its major projects. There is, however, other information that has not been published, whose availability would enhance transparency and accountability further:

Total project costs incurred

- These allow comparison with the budgeted whole-life cost. The profile of spending during a project's life is not necessarily even. Providing this information, however, could help flag up projects where there was an increased risk of cost overruns, or the possibility of underspending, depending on how close to planned completion a project was. Users could also see how accurate cost budgets had been.

Progress against achieving goals and benefits

- There is little information in the published data to allow users to judge how successfully a project is meeting its key milestones. Similarly, more information on the benefits achieved so far, where these are expected before a project is finished, would help users see whether a project is meeting its goals.

Reasons for the deliverability rating given

- This would show whether the departments' actions to address deliverability issues are appropriate. Disclosure would also help to highlight that red and amber-red ratings given during the early stages of a project do not always indicate failure.

Portfolio analysis

- The annual report provides no analysis of Portfolio data. Such an analysis could highlight common issues in government major projects and provide a useful long-term perspective of Portfolio progress. This could also provide useful data to support stronger central Portfolio management.

Part Four

Progress against Committee recommendations by October 2013

4.1 In its 2012 report, the Committee of Public Accounts (the Committee) concluded that in its first year of operations the Major Projects Authority (the Authority) had made good progress.[22] However, it argued that much more needed to be done to strengthen project assurance across government and improve the implementation record of government major projects. The Committee therefore made six recommendations, all of which the government subsequently accepted in full.[23] This part describes the progress made in implementing the Committee's recommendations.

Departmental compliance with assurance procedures

4.2 The Committee concluded that departmental compliance with the Authority's project assurance work was too variable, with only 62 per cent of government major projects having an Integrated Assurance and Approvals Plan (IAAP) in place. The Committee recommended that:

> "Departments should ensure that prioritizing the successful delivery of projects and compliance with the Authority's assurance arrangements, such as IAAPs, is a formal part of the objectives of Senior Responsible Owners and Accounting Officers."[24]

4.3 The government agreed to ensure that all major projects had IAAPs to provide agreed timetables for the Authority's assurance work. By the end of May 2013, only 17 projects (9 per cent) had no IAAP. The Authority has also been working with departments to improve compliance with assurance plans.

22 HC Committee of Public Accounts, *Assurance for major projects*, Fourteenth Report of Session 2012-13, HC 384, October 2012.
23 HM Treasury, *Treasury Minutes, Government responses on the Fourteenth, the Seventeenth to the Nineteenth, and the Twenty First Reports from the Committee of Public Accounts Session: 2012-13*, Cm 8556, February 2013.
24 See footnote 22.

Authority's recommendations and HM Treasury approvals process

4.4 The Committee concluded that there was limited evidence that the Authority's assurance reviews were influencing HM Treasury's decisions to halt or reset projects. The Committee, therefore, recommended that:

> "The Authority's reviews should clearly set out whether the project should continue, be stopped or reset, and the Treasury should ensure the recommendation is adhered to." [25]

4.5 The Treasury Minute stated that the Authority had implemented this recommendation, though HM Treasury is concerned that recommendations from the Authority should not be perceived to be binding upon elected ministers.[26] Instead, the Authority's recommendations should form an integral part of the advice provided to ministers when making key decisions. The Authority and HM Treasury have established a process to ensure that all recommendations made by the Major Projects Review Group, including those to cancel, defer or rescope projects, are provided directly to the Chief Secretary to the Treasury as formal advice to inform spending decisions.

4.6 The Authority has been working to understand the pipeline of major projects to help ensure that its project assurance work was timed to feed into the approvals process. The Authority has also introduced project validation reviews to replace the current system of starting gate reviews. The Authority designed these reviews to provide stronger assurance at initial project development stages, and give clear recommendations on whether projects should proceed.

Using major project data

4.7 The Committee reported that the Treasury was not making best use of the data on major projects that the Authority collected. The Committee recommended that:

> "The Treasury should routinely use the Authority's data on the major projects portfolio to manage its spending and prioritise resources between projects." [27]

25 See footnote 22.
26 See footnote 23.
27 See footnote 22.

4.8 The government's response in the Treasury Minute did not address the full range of the Committee's concerns in this matter. Most significantly, HM Treasury made a commitment at the Committee hearing to use Portfolio data to prioritise funding across projects and reallocate funds between departments, but this was not dealt with in the Minute. Nevertheless, some progress has been been made in this area. HM Treasury now sometimes uses Portfolio data in making decisions on department spend requests that fall above delegated limits. As an example, Infrastructure UK's Major Infrastructure Tracking team uses the Portfolio quarterly data returns to update the infrastructure pipeline and to monitor the priority infrastructure investments. The Authority is also developing a portfolio management approach for government and will be working with departments to test and start implementation of this model throughout 2014.

4.9 For its part, the Authority is trying to create more useful information by developing a database to track whether departments implement recommendations, the benefits expected from that, and the nature of the issues that recommendations address. This will allow the Authority to identify common issues across the Portfolio and capture lessons to share with the wider project delivery community.

Potential under-resourcing of the Authority

4.10 The Committee welcomed the creation of the Authority but was concerned that it had more work but fewer resources than the part of the Office of Government Commerce it replaced. When the Committee reported, the Authority had a budget of £6 million and had reduced staff by 40 per cent. The Committee was concerned that the large workload and lower resources meant the Authority had to focus its work on the largest and most high-risk projects. This risked the Authority not achieving the improvements in project assurance that it was aiming for, meaning that the taxpayer might not be getting optimal value from its work. The Committee recommended that:

> "The Authority and HM Treasury should quantify the return on investment from the Authority's work to identify whether further investment would benefit the taxpayer." [28]

4.11 The government's assessment found that, whereas in 2010, the projected successful completion rate of major projects was 28 per cent, with an average cost overrun of 60 per cent, these figures have improved considerably since the creation of the Authority. The Authority estimated that, if it received additional investment, it would be able to make significant inroads into the way that projects are set up, implemented and completed, generating a step change in successful project delivery in government. As a result, the Authority is currently increasing its total staffing numbers by around a half, from 39 to 59.

28 See footnote 22.

Government project delivery capability

4.12 The Committee welcomed the new Major Projects Leadership Academy (the Academy), which now trains project leaders and senior responsible owners, as a major step forward in strengthening civil servants' project delivery skills. However, the Committee was concerned that challenges remained in retaining and using staff trained through the Academy. The Committee recommended that:

> "The Executive Director of the Authority (as head of the government's project and programme profession) should be responsible for coordinating the career planning and deployment of staff with relevant project management skills across government, and particularly those graduating from the Leadership Academy, to minimise staff losses in this area." [29]

4.13 The government has committed itself to ensuring that the 340 leaders of government major projects will have started training at the Academy by the end of 2014.[30] The first cohort of 20 leaders graduated from the Academy in September 2013, and 150 project leaders are currently training there. The Authority is developing options for deploying Academy graduates as a pool to help resource major projects across government. In addition:

- The Authority tracks changes in senior responsible owners as part of the Portfolio reporting process to identify changes in turnover and investigate the reasons.
- The project delivery profession within government has adopted a four-tier model (foundation, practitioner, specialist, and leadership) which it is using to develop competency frameworks and curricula for those working at different levels within the profession.
- The Authority is developing guidance on the remit, tenure, reward and appointment of project leaders to support their effective deployment. This includes senior members of the Authority being members of panels responsible for appointing leaders of the highest priority projects.
- The Authority has created a portfolio management framework and self-assessment model to allow departments to assess the maturity of their major projects portfolio. Once it has done these assessments, the Authority will work with departments to develop implementation plans covering all their projects. A pilot exercise with the Department of Energy & Climate Change is already under way and will be extended to other departments in the coming months.

29 See footnote 22.
30 Cabinet Office, *Civil Service Reform Plan: One Year On Report*, July 2013.

Transparent reporting of project information

4.14 When the Committee reported, the government had yet to determine its policy on making major projects data available publicly. The Authority had, therefore, not published its annual report on major projects. The Committee highlighted the importance of not allowing commercial confidentiality to frustrate public accountability, or be used as an excuse to override the responsibilities of departmental officials to be held to account for the progress of their projects. The Committee, therefore, expected:

> " … the complete and transparent disclosure of information on project status, including the current delivery-confidence rating, with immediate effect, and will expect to receive annual updates on the performance of projects in the Authority's portfolio."

4.15 The Authority published its first annual report in May 2013. Part Three of our report examined how far the annual report meets the Committee's expectations of complete and transparent disclosure.

Implementing Lord Browne's recommendations

4.16 Lord Browne, the government's lead non-executive director, published his report on major projects in May 2013 and made further recommendations to strengthen project assurance arrangements. The Authority is implementing Lord Browne's recommendations by restructuring and strengthening its organisation to improve its resilience; expanding its operational capacity and capability; and developing clear and effective systems to underpin and sustain its work. It is taking the following actions:

Project initiation

- Lord Browne raised concerns about how effectively the Authority could review potential new projects, and recommended strengthening its procedures. The Authority has, therefore, introduced a new project validation review. The new review allows the Authority to better identify potential risks early enough to challenge departments about whether they are choosing the right option to achieve their objectives. It also allows the Authority to make recommendations about whether a project should proceed or stop.

Regular project assurance

- Lord Browne concluded that all major projects needed assurance reviews at each milestone, as none would be free from problems and challenges at some stage, and opportunities to use new efficiencies and technologies to achieve better value for money may arise. The Authority has responded by examining its range of assurance reviews, and introduced several new assurance approaches to use at different stages in a project's life. Lord Browne also recommended the Authority be able to recommend directly to ministers that a project be temporarily stopped if, at any time, it has been found to breach its original parameters. While not reporting directly, the Authority can now recommend halting projects to ministers, via the Major Projects Review Group.

Post-project audit

- Lord Browne recommended that the Authority carry out post-project reviews on most major projects so lessons could inform its future work, and provide material to train project leaders. In response, the Authority has developed several post-project audit tools tailored to different types of projects, including those that have completed as planned, and those that have been closed down earlier than expected.

Appointing project leaders

- Lord Browne stressed the importance of appointing the right leadership team for projects and ensuring they stay in place until critical milestones have been achieved. He recommended that the Authority should be able to nominate and reject project leaders, as well as reviewing the project delivery team as part of each assurance review. He also recommended that critical members of project teams should only be able to move at stages of the project that have been agreed at the start. The Authority plans to take a more active role in appointing leaders of major projects, and is exploring how graduates from the Academy could be best deployed in project leadership roles.

Design of pay and incentives

- Lord Browne concluded the Authority was best-placed to create a common framework to reward and incentivise project leaders. He recommended the Authority and Infrastructure UK develop proposals for a framework. The Authority has since developed guidance on the remit, tenure and reward of project leaders. This guidance addresses how to make best use of the new pivotal role allowance, which provides additional pay for those working in business-critical posts such as leading high-risk major projects. The guidance also requires reward packages to be linked to meeting a project's key milestones.

Development of skills and capability across government

- Lord Browne recommended the Authority take steps to ensure the skills and capability developed on individual projects are made available across the whole Portfolio; a pool of skilled project leaders be created to provide skilled candidates for key posts; and departments be allowed to recruit project specialists from outside the civil service if necessary. The Authority is looking to use the experience of academy graduates by ensuring they work as assurance reviewers and by creating a pool of experienced project leaders to deploy across government. The Authority is also creating a 'Project Leaders Network' – a forum to bring together academy graduates and participants and spread best practice.

Appendix One

Projects red rated, at September 2012

Rail Refranchising Management Programme – West Coast, Department for Transport

Project start date: 22 September 2010

Whole-life cost: Not disclosed

Overview and objectives

The InterCity West Coast franchise operates from London Euston to Glasgow, and serves cities including Birmingham, Liverpool, Manchester and Edinburgh. The Department started reletting the contract, which has been with Virgin Rail Group since 1997, in January 2011. It issued the tender in January 2012 so that the new contract could start on 9 December 2012.

Reason for red rating in September 2012

The Department announced its intention to award the franchise to First Group on 15 August 2012, which prompted Virgin Rail Group to start high court proceedings demanding a judicial review into the decision. The Department prepared to defend its original decision in court, but in so doing uncovered serious flaws in the franchising process:

- There were technical errors in an evaluation tool used to calculate the subordinated loan facility.
- There were problems in the procurement process including a lack of transparency and failure to treat bidders consistently.

At the end of September 2012, it was therefore not clear how the franchise competition would be settled and a red rating was deemed appropriate.

Action taken since September 2012

In light of the errors found, the Department cancelled its provisional decision to award the InterCity West Coast franchise to First Group, and with it the franchise competition, on 3 October 2012. The Department commissioned two independent reviews to look at the franchise processes. The first, the Laidlaw Inquiry, examined the events leading to the cancellation of the franchise competition. The final report of this review was published in December 2012.[31]

The second, the Brown Review, reported on the wider franchise programme in January 2013.[32] The government's response to this review described the Department's progress in implementing the recommendations to improve the franchising process, as well as outlining its future plans.[33]

Current status of the InterCity West Coast franchise

Virgin Rail Group will continue to run the InterCity West Coast franchise until November 2014. The Department continues to work closely with Virgin Trains to develop the franchise and increase capacity.

Planned actions and timetable for implementation for the InterCity West Coast franchise

The Department intends to negotiate an agreement with Virgin to continue to run services until a new competed franchise is awarded in April 2017. The Department is talking to Virgin Trains about a number of station improvement projects and has agreed to fund improvements to catering equipment on the Pendolino rolling stock.

Transforming the Customer Experience, Home Office

Project start date: 14 May 2007

Original lifetime budget: £424.3 million (whole TCE programme), £52 million (PASS Replacement Release (PRR) element)

Overview and objectives

Transforming the Customer Experience (TCE) was a procurement exercise to consolidate ten separate supplier contracts for the Identity and Passport Service (now HM Passport Office) into a single ten-year agreement and to procure a replacement for the aging passport processing systems (collectively called PASS). Only the PASS Replacement Release (PRR) project is still ongoing. This will introduce more efficient and modern passport processing systems, including an online passport application and payment channel, throughout HM Passport Office and provide better security and counter-fraud capabilities.

31 House of Commons, *Report of the Laidlaw Inquiry: Inquiry into the lessons learned for the Department for Transport from the InterCIty West Coast Competition*, HC 809, December 2012.

32 Department for Transport, *The Brown Review of the Rail Franchising Programme*, Cm 8526, January 2013.

33 Department for Transport, *Government Response to the Brown Review of the Rail Franchising Programme*, Cm 8678, July 2013.

Reason for red rating in September 2012

The red rating relates to the PRR part of the programme, which had experienced significant delays by September 2012. This was partly due to renegotiating the contract in 2010, following the Coalition's decision to stop work on national identity cards. Other delays arose from greater-than-expected levels of complexity in designing both the software and appropriately secure hardware solutions for the new systems. In September 2012, HM Passport Office were setting a revised delivery schedule for the PRR. As a final timetable had not been agreed with the contractor at that stage, a red rating was appropriate.

Action taken since September 2012

A new timetable for delivery of PRR was subsequently agreed and work began against the revised plan. Contract mechanisms were invoked to protect HM Passport Office from cost overrun.

Current status

The new system went live at the first site, Belfast, on 27 August 2013, and by November 2013 had been successfully rolled out to around 50 per cent of the passport processing teams across the country. Feedback from HM Passport Office staff on the new system is positive. A new online channel, allowing customers to apply for passports online, was launched in mid-November 2013. This will initially function as a customer experience trial, which will be rolled out from early 2014 if it proves successful.

Planned actions and timetable for implementation

Roll-out across all passport offices is expected to be complete by March 2014. If the system is judged to be working effectively, the retained funds will be released to the contractor and the old system decommissioned by November 2014.

Watchkeeper Programme, Ministry of Defence

Start date: 1 March 1998

Whole-life cost: £1,079.1 million

Overview and objectives

Watchkeeper is a system of unmanned air vehicles, sensors, data links and ground control stations. It will provide a 24-hour, all-weather, intelligence, surveillance, target acquisition and reconnaissance capability supplying high-quality imagery to support decision-making. Watchkeeper will be delivered incrementally to allow the system to benefit from both existing and emerging technologies. The new system was intended to reach Initial Operating Capability by June 2010 and Full Operating Capability in 2013.

Reason for red rating in September 2012

The red rating reflects the delay in achieving Release to Service. The programme has been slowed by more stringent software certification requirements than anticipated, the rectification of a small number of safety-critical deficiencies in the system's technical publications, and errors in the training courseware.

Action taken since September 2012

The Authority reviewed the programme schedule and contract at the end of 2012 and further risks were identified in February 2013. In September 2013, the Military Aviation Authority (MAA) provided a Statement of Type Design Assurance for Watchkeeper, confirming its airworthiness. Training on the new system began in January 2014.

Current status

In March 2013, the Authority raised serious concerns that the Release to Service date would not be met, but acknowledged that the target of reaching Full Operating Capability of Watchkeeper in September 2015 was more attainable.

A Departmental review of the programme is under way, to set new targets for Initial Operating Capability/Full Operating Capability stages. These changes will be submitted to the MoD Investment and Approvals Committee for approval in early 2014, along with a revised longer-term programme schedule. The revised plans will incorporate enhancements to the training regime and revised assurance processes.

Equipment deliveries remain on track and over 900 hours of flight trials have taken place, as of October 2013.

Planned actions and timetable for implementation

The programme is scheduled for initial Release to Service in early 2014. The timetable for achieving Full Operating Capability will be set as part of the Department's current review. The Authority and HM Treasury continue to work with the programme team to understand the ongoing impact of the increased regulatory and training requirements, and the consequent risk of delays.

Defence Core Network Services (DCNS), Ministry of Defence

Project start date: 1 December 2009

Lifetime budget: £5,501.1 million

Overview and objectives

DCNS is a programme to replace the Department's major information and communications (ICT) systems, in the UK and overseas. DCNS is expected to rationalise existing suboptimal commercial arrangements and diverse technical solutions. It will be delivered through a number of procurement projects.

Reason for red rating in September 2012

In July 2012, the Authority gave DCNS a delivery confidence rating of amber-red and issued an action plan with 31 recommendations. The recommendations included addressing staffing shortfalls and securing timely approvals. The subsequent red rating (September 2012) was issued due to delays in gaining Cabinet Office approval for extending the Defence Information Infrastructure (DII) contract, an essential part of the DCNS programme.

Action taken since September 2012

The issues which led to the red rating have been resolved. The Cabinet Office granted approval for the extension of the existing DII contract in April 2013 and the Department agreed delivery terms with the existing supplier. A Strategic Partner contract for DCNS was awarded in March 2013. The Authority's action plan was reviewed in July 2013 and was deemed complete.

Current status

The extension of the DII contract will allow the Department to procure critical new services. Following the appointment of the DCNS Strategic Partner, the Department has re-baselined the programme and is working around five key themes (governance, people and skills, strategic sourcing, portfolio management and service integration).

Once this activity is completed in early 2014, the Department expects an improvement in delivery confidence for this project.

Planned actions and timetable for implementation

DCNS now has definitive, robust plans in place to achieve its objectives. These plans include the replacement of a number of key ICT contracts which lapse in 2015, and the provision of more coordinated and effective ICT services across the Department. The programme team are submitting a number of options to the financial planning process for 2014-15 to fund initiatives that will support ICT transformation from 2014 onwards.

The current programme end date remains March 2020.

Queen Elizabeth Class Aircraft Carriers, Ministry of Defence

Project start date: 1 December 1998

Lifetime budget: Not disclosed

Overview and objectives

The 1998 strategic defence review committed to replacing the three existing Invincible Class aircraft carriers with two larger, more versatile carriers capable of carrying a more powerful force, including a carrier-borne aircraft to replace the Harrier. In 2002, the Department selected the Short Take-Off and Vertical Landing (STOVL) version of the Joint Strike Fighter as the preferred replacement aircraft. In 2007, when the main investment contract was signed with industry, the Department estimated the costs to build the carriers at £3.65 billion.

As part of the 2010 strategic defence and security review (SDSR), the Department decided instead to procure the Carrier Variant of the Joint Strike Fighter. This required the ships to be fitted with additional launching and landing recovery equipment. The Secretary of State for Defence reversed this decision in May 2012, and the project reverted to the STOVL aircraft, as the Department claimed the STOVL variant could be delivered three years earlier than the Carrier Variant and at lower cost.

It was estimated in 2012 that the two carriers would cost £5.458 billion to build.[34]

Reason for red rating in September 2012

The project was awarded a red rating as it had exceeded its approved cost limit.

Action taken since September 2012

The Department has been involved in complex commercial negotiations with industry covering all UK shipbuilding. Confirming the final cost of the two carriers was a significant part of these talks.

Current status

The negotiations recently concluded with an agreement in principle on providing the carriers. The expected construction costs have risen to £6.2 billion for building both carriers configured to the STOVL design. Support costs for the carriers have yet to be confirmed. A decision on whether to fully use the second carrier (or leave it in extended readiness) remains a decision for the next SDSR in 2015.

Planned actions and timetable for implementation

The Department expects the new carrier strike force, which includes the STOVL Joint Strike Fighter aircraft, to be operational by 2020.

34 The Major Projects Review 2012 gave the estimated cost to complete the project as £5.348 billion. An additional £110 million of costs for 'long-lead items', such as steel purchased early to get the best price, has been added as these contribute to the total procurement cost.

Shared Services, Ministry of Justice

Project start date: 1 July 2009

Original whole-life budget: £127 million

Overview and objectives

The Department currently uses two IT systems for most of its back-office functions, a legacy of its creation by merger in 2007. The shared services programme aims to bring together human resources, finance and procurement services onto a single system, to make efficiencies and improve integration across the Department. The new shared services system was intended to be operational by June 2013.

Reason for red rating in September 2012

The Department identified serious issues with the project in January 2012 when it became clear that it was unlikely to meet its original deadline. Delays occurred because: integrating two very different systems was inherently complex; establishing specifications for the new system which satisfied all users proved problematic; and coordinating the three hardware and software suppliers was more difficult than expected.

Action taken since September 2012

The Department has rescoped the project, with input from the Cabinet Office, to deliver lower costs, by merging one of the computer systems with another, and upgrading the remaining system. A new senior responsible owner and programme director were appointed in November 2012, and a new, smaller, project team was established. The Department has extended the current contract until December 2014 to give it time to complete the merger.

Current status

The Department has business case approval for merging two of the systems, the first of six project stages. In August 2013, the Authority reviewed the project and concluded there were still significant risks and issues to be addressed, but these appeared resolvable and, if addressed promptly, would not result in any further cost/schedule overrun.

Planned actions and timetable for implementation

The deadline for completing the project is December 2014 when the contract with Liberata (who run one of the systems) expires. The Department and Cabinet Office are working together to reach a satisfactory outcome.

Web Data Access Project, Office for National Statistics

Project start date: 1 April 2011

Original lifetime budget: £13.6 million

Overview and objectives

This project aims to allow users of the Department's website to explore statistics more effectively. It will also provide access to data sources for third parties to use on their websites, and make the 2011 census and other departmental outputs available to a wider audience. Software development work is outsourced to one main supplier, while the testing, integration and deployment of the new software is done by the Department.

Reason for red rating in September 2012

The project was red rated because software development was significantly behind schedule. The Department knew of the slippage and took some remedial actions before the Authority's gateway review in June 2012.

Action taken since September 2012

The timetable has been revised and governance processes strengthened. The supplier has appointed a senior figure to ensure the revised project timetable is met. The senior responsible owner and the Department's executive board meet the supplier regularly. The Department successfully negotiated with the supplier to ensure that it would incur no additional costs from the delays.

Current status

The status of the project has improved, as recognised by the Authority's gateway review in April 2013. The Department expects to deliver the remaining milestones as planned, and to complete the project in this financial year.

Planned actions and timetable for implementation

The Department's actions already in place will ensure the remaining deadline of front-end functionality is provided this financial year.

European System of Accounts 2010/Balance of Payments Manual version 6, Office for National Statistics

Programme start date: 5 February 2011

Original lifetime budget: £57.85 million

Overview and objectives

The Department must update how it produces key national accounts and economic statistics by September 2014 to meet revised international standards. Failure to comply could result in significant fines for the UK government. The Department has requested derogations from Eurostat to delay the provision of some elements beyond the implementation date of September 2014. The last derogation should be cleared by September 2019.

Reason for red rating in September 2012

An internal review in April 2012 found that there was a lack of sufficiently experienced staff to implement the programme. There was also insufficient clarity in the programme's scope, largely because the international standards had not been finalised.

Action taken since September 2012

The project team has been restructured and a new senior responsible owner appointed. Three external project managers were employed to help reinitiate the programme. The Department implemented a revised governance approach to make responsibilities clearer and inform the programme organisational structure. It drafted outline business cases, and they were internally approved in July and September 2012, before submitting them to HM Treasury in November 2012. HM Treasury approved the full business case in October 2013.

Current status

The Authority completed a gateway review in January 2013 and made nine recommendations. Monthly programme board meetings have been monitoring progress and concluded all recommendations had been addressed by June 2013. The programme board and the Authority consider that the Department has made measurable progress and the programme is achievable, but that significant issues remain.

Planned actions and timetable for implementation

The Department has plans in place for all projects throughout the programme's lifetime. The Department will complete the programme's projects in stages and has set milestones for each year from 2014 to 2019 to meet the agreed derogations.

Appendix Two

Our audit approach and evidence

1 This memorandum reviewed:

- the background to the Authority publishing its first annual report in May 2013;
- the data that departments publish on the Government Major Projects Portfolio, and the information it provided on whether major projects are deliverable, and their costs and timings;
- the Authority's progress in addressing the recommendations from the Committee of Public Accounts in 2012 and Lord Browne in 2013;
- the quality and completeness of published data on government major projects, and how to improve it to give useful information for users of the annual report; and
- the reasons why eight projects were given red delivery confidence ratings at the end of September 2012 and what the project teams have done in response to those ratings.

2 In this memorandum we do not try to draw conclusions on whether the Authority's project assurance work provides value for money or on the effectiveness of project delivery across government. We based our findings on evidence we gathered using the following methods:

- Analysis of project data published by 19 government departments. These departmental publications accompanied the Authority's annual report and provided information on all projects in the Government Major Projects Portfolio at the end of September 2012.
- Interviews with departmental project teams to discuss the background and current status of the eight red-rated projects. We also received input from the relevant project specialists at the Authority to fully understand the issues that led to red ratings being issued for these projects.
- Review of published literature, in particular our previous reports and those of the Committee of Public Accounts and Lord Browne.
- Review of documentation about the Authority's restructuring and change programme. We also talked with the Authority to understand how they have responded to recommendations made by the Committee and by Lord Browne.

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